

FAX

Date

4/17/98

Number of pages including cover sheet

4

TO:

Wayne Hedberg

Phone

Fax Phone

FROM:

Tom Gast

Environmental
Management Svcs. Co

2301 Research Blvd.,
Suite 103

Fort Collins, CO 80526

Phone

(970) 482-9624

Fax Phone

(970) 482-9619

CC:

REMARKS:

☐ Urgent

☒ For your review

☐ Reply ASAP

☐ Please Comment

Wayne,

Request as we discussed. Original
in tonight's mail.

Thanks

Tom

Environmental Management Services Company
2301 Research Boulevard, Suite 103
Fort Collins, CO 80526
(970) 482-3100 • Fax: (970) 482-9619



April 17, 1998

State of Utah
Division of Oil, Gas and Mining
Minerals Reclamation Program
1594 West North Temple
Suite 1210
Salt Lake City, UT 84114-5310
Attn: D. Wayne Hedberg

Re: Interim Bond Reduction Request, Large Operation M/049/009

Dear Wayne;

This letter is written to request an interim bond reduction in the amount of \$348,000 for Large Mining Operation M/049/009. Sunshine Mining and Refining Company currently holds the permit and efforts are well underway to affect a transfer to Tintic Utah Metals, LLC. Due to the permit's anniversary date of late April and the time required to resolve outstanding matters regarding the transfer documentation, an interim bond reduction is being requested with this writing.

I have prepared two tables to assist in understanding the 1984 permit (referred to herein as SMC 1984) and the interim bond reduction request. Table 1 lists the SMC 1984 acreage by area regarding Permit acres; Disturbed acres; and Bonded acres.

Listed on Table 2 is calculation of the SMC 1984 bond by area. Listed are the bond calculations, the addition of a 10% contingency and the effect of projecting the reclamation costs forward to 1995 by using the 6.78% annual inflation factor then current. Running the numbers results in the 1984 reclamation estimate of \$358,170 inflating to \$737,000. Also listed on the table is the calculated 1995 estimate using actual Means numbers for the 1985 through 1995 period. The numbers provided by Tony Gallegos include: 1985-2.90%; 1986-2.10%; 1987-1.95%; 1988-1.81%; 1989- 1.77%; 1990-0.77%; 1991-1.27%; 1992-2.21%; 1993-2.61%; 1994-3.21%; and 1995-1.93%. The calculation by area results in a 1995 reclamation estimate of \$453,873. The difference between the two 1995 numbers, \$283,133, is the result of lesser inflation.

The SMC 1984 estimate was then adjusted to 1997 dollars. The calculated 1995 numbers from Table 2 (\$453,873) were indexed to 1997 (\$487,967) by utilizing the Means numbers for 1996-2.42% and 1997-2.52%.

Subtracted from the 1997 SMC indexed amounts totaling \$487,967 were the reclamation amounts for the Trixie Mine (\$54,622), the Hunter shaft (\$70,400) and the tailings ponds.

The Trixie was removed because reclamation obligation for this site was transferred from the permit in 1995 to South Standard Mining upon their posting a cash bond. Regarding the Trixie matter, it should be noted that the existing bond was reduced by \$39,800 (from \$737,000 to \$698,000) in March 1996 subsequent to South Standard posting a cash bond. In fact, a total of \$84,473 should have been released. The \$84,473 represents the 1984 reclamation estimate of \$41,052 projected to 1995 dollars (see Table 2).

The Hunter shaft and tailings ponds have never been constructed or operated. Tintic Utah Metals LLC is proposing a different location for these facilities which is fully described in the 1997 application and bonding for these will be accomplished with the permit transfer. There are no immediate plans to construct these facilities and it is understood that no physical disturbance is allowed until the reclamation plans are approved, the permit is transferred and satisfactory bond is provided.

The above calculations result in an interim calculated bond amount of \$305,410. The Division may feel more comfortable during the interim by adding an inflation / contingency sum of \$44,590 to the above figure. This would result in an interim bond amount of \$350,000 or a reduction of \$348,000 from the current bonded amount of \$698,000. Thank you very much for considering this request. Please feel free to contact me with any questions or in the event that we may provide additional information.

Sincerely,



Thomas E. Gast
Principal

Encl.

Cc: Allan Young, Sunshine Mining and Refining Company
Michael Owens, Sunshine Mining and Refining Company
Paul Spor, Tintic Utah Metals LLC
Leonard Weitz, Chief Consolidated Mining Company

Table 1 - Burgin Bond Analysis, M/049/009
Prepared April 16, 1998
Environmental Management Services Company

AREA	Permit Acres		Disturbed Acres		Bonded Acres	
	SMC 1984		SMC 1984		SMC 1984	
Apex	2.8		2.0		2.8	
Trixie	11.4					
Hunter/Burgin # 3	10.0					
			0.0		5.7	
Burgin #1, #2 & Mill:						
Burgin #1						
Burgin #2						
Ponds 2-4	2.2		2.2		0.0	
Burgin 1 & 2, Mill	57.9		29.4		29.4	
Burgin Complex Tot.	60.1		31.6		29.4	
Tailings	41.4		0.0		28.7	
Settling Pond	180.0		26.0		26.0	
Water Disposal	0.0		0.0		0.0	
Zuma	7.0		7.0		7.0	
Total Acres	312.7		66.6		99.6	

Table 2 - Burgin Bond Inflation Comparison, Existing Bond M/049/009
Prepared April 16, 1998
Environmental Management Services Company

Sunshine Mining Company 1984 Estimate							
AREA	SMC \$ 1984	10% Cont.	Total 1984	1995 \$	Means 95 \$	Means 97 \$	Difference
Factor	100%	10%	Sum	2.0577	1.2672	1.05	
Apex	\$41,440	\$4,144	\$45,584	\$93,798	\$57,764	\$60,652	(\$33,146)
Trixie	\$37,320	\$3,732	\$41,052	\$84,473	\$52,021	\$54,622	(\$29,851)
Hunter/Bur. # 3	\$48,100	\$4,810	\$52,910	\$108,873	\$67,048	\$70,400	(\$38,473)
Burgin #1, #2 & Mill:							
Burgin #1							\$0
Burgin #2							\$0
Burgin Complex Tot.	\$129,600	\$12,960	\$142,560	\$293,346	\$180,652	\$189,685	(\$103,661)
Tailings	\$39,310	\$3,931	\$43,241	\$88,977	\$54,795	\$57,535	(\$31,442)
Settling Pond	\$30,750	\$3,075	\$33,825	\$69,602	\$42,863	\$45,006	(\$24,596)
Water Disposal	\$0	\$0	\$0			\$0	\$0
Zuma	\$0	\$0	\$0			\$11,400	\$11,400
Sub-Total	\$326,520	\$32,652	\$359,172	\$739,068	\$455,143	\$489,300	(\$249,768)
Adjustment	\$0	\$0	(\$1,002)	(\$2,062)	(\$1,270)	(\$1,333)	\$729
Net	\$326,520	\$32,652	\$358,170	\$737,006	\$453,873	\$487,967	(\$249,040)
less:							
Trixie						\$54,622	(\$54,622)
Hunter/Bur. # 3						\$70,400	(\$70,400)
Tailings						\$57,535	(\$57,535)
Net/Net						\$305,410	(\$431,597)